



NEWS RELEASE

Hope and Concern for Telecoms Competition in the Western Arctic

Will a CRTC decision on Northwestel's monopoly fibre rates enable fair and real competition in the NWT and Yukon?

YELLOWKNIFE, November 15, 2016. SSi Micro Ltd. is today expressing hope that a recent CRTC directive might finally bring effective telecoms competition to the Western Arctic – an area of concern because, despite being open to competition from a policy perspective for several years, none has developed.

Vital to effective competition is fair and proper pricing for access to Northwestel's monopoly fibre backbone into the North, and it appears this may soon come about. On Tuesday, November 8, the Canadian Radio-television and Telecommunications Commission (CRTC) released Telecom Decision 2016-443 directing Northwestel to file revised rates by January 9, 2017 for its "Wholesale Connect" fibre backbone service. SSi is hopeful that this 5-year struggle may finally be over.

- ***The Western Arctic suffers due to a lack of telecoms competition***

The CRTC ruling is important: properly set pricing should mean drastically lower backbone transport rates, which in turn will enable competitors, including SSi, the ability to offer consumers a true choice.

This is not the case today, as noted in comments leading to the CRTC decision by the Government of Yukon, where there presently is no effective competition. The market reality speaks to the conclusion: *"... prospective entrants have not taken advantage of Northwestel's Wholesale Connect service to enter the Yukon market, [so] it might be inferred that wholesale prices are too high"*¹.

- ***Fundamental corrections implemented for Southern Canada must come North***

As a precedent for the North, SSi is encouraged by recent CRTC determinations from southern Canada to reduce very substantially the wholesale transport rates charged by companies such as Bell Canada and other incumbents. Notably, in the October 6, 2016 news release accompanying Telecom Order 2016-396 on wholesale high-speed access services², the Commission highlighted that it had *"... reduced the proposed transport component rate for a number of companies **by up to 89%**"* (emphasis added).

¹ Intervention of the Yukon Government to Telecom Notice of Consultation CRTC 2016-180, "Review of Rates for Northwestel Wholesale Connect Service", June 13, 2016.

² Telecom Order CRTC 2016-396, "Tariff notice applications concerning aggregated wholesale high-speed access services – Revised interim rates."



SSi believes Northerners deserve an equally fair outcome, and that even more dramatic reductions in Northwestel Wholesale Connect transport rates are not only necessary for the North's telecom future, but also fully justified. In interventions to the CRTC leading to Decision 2016-443, SSi included a detailed costing analysis and report by Lemay-Yates, Associates, Inc. (LYA). The LYA Cost Study concluded starkly:

54. This means that the Northwestel Wholesale Connect tariff yields a wholesale price which ranges from close to 7 to 10 times the wholesale price estimated in our cost analysis.

55. This is a very material difference with ensuing negative impacts on other ISPs and consumers.³

This CRTC directive on southern wholesale rates is directly relevant to Northwestel; indeed, the CRTC's determinations resulting in dramatically reduced rates in the south are referenced as applicable guiding precedents in the Commission's November 8 decision on Northwestel's Wholesale Connect rates⁴.

- ***True telecoms competition has allowed for significant investment in the Eastern Arctic***

Because of the rulings and precedents set in the south for wholesale transport, SSi remains hopeful proper backbone transport rates will finally be established in the Western Arctic, and that open and fair telecoms competition may still emerge, just as it has in Nunavut, where Northwestel does not have monopoly control over the vital transport backbone into the communities.

Unhindered by a dependency on Northwestel for transport facilities, SSi is building a state-of-the-art 4G-LTE and 2G wireless network in all 25 communities of the Territory. The company is currently offering 4G residential broadband services, and will soon be offering local mobile voice and an array of attractive value-added and broadband wireless services for consumers and business.

"We are actively investing and competing in Nunavut, and stand ready and willing to do the same in the Western Arctic", said Jeff Philipp, Founder and CEO of SSi. "But until wholesale backbone rates are properly set, we are simply not able to compete and are forced to hold back investments that would otherwise greatly benefit consumers and business in the Northwest Territories and the Yukon."

³ Lemay-Yates Associates Inc., "Assessment of Northwestel Backbone Connectivity Service Costs", filed in support of SSi's June 13, 2016 comments to Telecom Notice of Consultation CRTC 2016-180, *Review of the rates for Northwestel Inc.'s Wholesale Connect service*. The LYA Cost Study can be found on the CRTC web-site at:

<https://services.crtc.gc.ca/pub/ListeInterventionList/Documents.aspx?ID=231459&en=2016-180&dt=i&lang=e>

⁴ See the references to Telecom Decision CRTC 2016-117, which led to Telecom Order CRTC 2016-396, in Telecom Decision CRTC 2016-443, *"Review of the rates for Northwestel Inc.'s Wholesale Connect service."*

- ***Some background: The fight for fair rates and effective competition***

SSi has been fighting for several years to open the North to effective telecoms competition. In 2011, the CRTC conducted a public proceeding to review several policy matters regarding the provision of services by Northwestel⁵. Following that review, where SSi was an active participant, in December of 2011 the CRTC removed Northwestel's protected monopoly status and opened the North to local services competition⁶.

While SSi voiced strong support for the policy change, more still had to be done for competition to emerge. SSi has been unwavering in its position that proper rates for backbone transport are critical to allow service providers to operate in an open and fair telecom market and thereby deliver competitive services to consumers.

For the past five years, through an extensive series of decisions, applications and interventions, SSi has been providing evidence that Northwestel cannot justify the onerous and discriminatory rates charged for its wholesale terrestrial backbone. **Northwestel, as the only supplier of such services in the North, has been charging competitors wholesale rates that are up to to thirty times higher than in the south, and several times higher than Northwestel's own retail Internet pricing.**

- ***Market reality speaks to the conclusion***

It has been five years since the CRTC opened the North to local services competition. But unlike Nunavut, in the Western Arctic little has changed. There is still no effective competition, and the need for proper backbone rates remains blatantly evident. This was noted and observed in the Yukon Government's comments leading to the Decision 2016-443, succinctly stated:

- *"...there is no facilities-based competition in Yukon because telecom, cable and wireless facilities are all owned by Northwestel and it's affiliates.*
- *Consequently, the terms and conditions of wholesale access, like Northwestel's Wholesale Connect service, will determine whether there will be sustainable competition in the Yukon market.*
- *The Government of Yukon submits that the only effective assessment of rates, or indeed of the underlying cost assumptions, is whether there are customers of the service and whether there is actual competition in the Yukon market.*
- *Given that the prospective entrants have not taken advantage of Northwestel's Wholesale Connect service to enter the Yukon market, it might be inferred that wholesale prices are too high, or that the market opportunity is not sufficiently attractive.*
- *Since Whitehorse is similar in size to several Canadian cities which have facilities-based competitors as well as retail service providers, and prior to Northwestel's acquisition of WHTV*

⁵ Launched with Telecom Public Notice CRTC 2011-302, "

⁶ Telecom Regulatory Policy CRTC 2011-771,



Cable, there were multiple retail ISP's operating in Yukon, there is reason to expect that this market is viable." [In Decision TRP 2013-711 the Commission re-regulated retail terrestrial Internet services, finding that Northwestel is the dominant provider in its territory, but that at the time of the original forbearance order that 19 ISPs were operating].⁷

For SSi, fair and open access to backbone transport service is essential to develop a dynamic and competitive telecoms market, and along with that, bring new investment, new innovation, consumer choice, and competitive local pricing. Northwestel, as the only supplier of fibre backbone transport services in the North, is charging competitors wholesale rates that are punishingly and unjustifiably high. This pricing is, quite simply, preventing any meaningful telecoms competition in the Western Arctic, where Northwestel holds its fibre monopoly.

For more information, Telecom Decision CRTC 2016-443 is available at:

http://www.crtc.gc.ca/eng/archive/2016/2016-443.htm?utm_source=rss&utm_medium=site&utm_campaign=cls

The Government of Yukon's Intervention to Telecom Notice of Consultation CRTC 2016-180 can be found at: <https://services.crtc.gc.ca/pub/ListeInterventionList/Documents.aspx?ID=231313&en=2016-180&dt=i&lang=e>

The CRTC news release re: Telecom Order CRTC 2016-396 dated October 6, 2016, can be found at:

<http://news.gc.ca/web/article-en.do?nid=1133779>

About SSi: Headquartered in Yellowknife, Northwest Territories, and with a satellite teleport and network operations centre in Ottawa, SSi designs, builds and operates telecommunications networks around the world. SSi understands first-hand the challenges faced in providing effective and affordable communications services to remote and outlying areas. SSi has launched broadband service into many markets where the Internet previously did not exist, and provides a competitive alternative to the incumbent operator in small and remote markets.

SSi has deployed advanced satellite and local broadband wireless facilities throughout Nunavut and in many communities of the Northwest Territories, an area spanning over three million square kilometres. The network uses state-of-the-art full mesh connectivity and supports broadband Internet, voice and videoconferencing technologies. Over the years SSi has continued to develop its own unique provisioning and billing software, and today the 3rd generation of this management system seamlessly controls all aspects of the customer experience.

⁷ Intervention of the Yukon Government to Telecom Notice of Consultation CRTC 2016-180, "Review of Rates for Northwestel Wholesale Connect Service", June 13, 2016.



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